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Directive 08-5: Taxation of Sale or Rental of Cable Television Boxes

Issue

Is the sale or rental of cable television converter boxes to Massachusetts cable television customers subject to sales or use tax under G.L. c. 64H, 64I?

Directive

No. Sales and rentals of cable television converter boxes to Massachusetts cable television customers are exempt from sales and use taxes.

Discussion

Massachusetts imposes a five percent tax on sales at retail of all tangible personal property by any vendor in Massachusetts, unless the sale is exempt under some other provision of law. G.L. c. 64H, § 1. The term “sale” includes any transfer of title or possession or both and includes a lease or rental. *Id.*

Under G.L. c. 64H, § 6(r), however, “sales of materials, tools and fuel, or any substitute therefor” are exempt if they are used directly and exclusively “in the operation of commercial radio broadcasting or television transmission.” In addition, under § 6(s) “sales of machinery, or replacement parts thereof” are also exempt if so used. [\[1\]](#)

A cable television converter box is a device that connects to a television and some external source of signal and turns the signal into content that is displayed on the screen. It resides in a customer location and is used as an interface between the cable system network and the customer’s television by decoding or decrypting encoded or encrypted video content so that the consumer can view the content when authorized. Such boxes are not always necessary in order to view basic cable programs, but may be required for “on demand” or premium cable programming. See *RCN Telecom Services, Inc. v. Director, Division of Taxation*, 23 N.J. Tax Ct. 520 (2007).

Cable boxes are thus not used by all cable television subscribers, but when used, function only for the purpose of receiving programming or information from the cable provider, or for implementing parental controls. The test of exemption is not whether the item sold is necessary or integral to cable broadcasting, but whether it is used directly and exclusively in television transmission. As the customer could, in many cases, not receive the desired signal without the box, the cable box is necessary or integral to receiving the television broadcast. Cable TV converter boxes are therefore exempt from sales and use tax under G.L. c. 64H, § 6(r), and/or 6(s). [\[2\]](#)

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Effective Date

This Directive is applicable to all tax periods beginning on or after January 1, 1996 that are within the statute of limitations provided by G.L. c. 62C, § 37.

/s/Navjeet K. Bal
Navjeet K. Bal
Commissioner of Revenue

NKB:MTF:jlr

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[1] Commercial radio broadcasting and television transmission were included in the G.L. c. 64H, § 6(r) and § 6(s) exemptions effective January 1, 1996. See St. 1995, c. 38, §§ 84, 85, 358.

[2] G.L. c. 64H, § 6(r) and § 6(s) exempt items used “in the operation of commercial radio broadcasting or television transmission.” Therefore, Directive 08-5 applies only to converter boxes sold or rented by the cable television (or satellite television) provider/operator for use in connection with the transmission process referred to in 6(r)/(s). This Directive does not apply to items sold by retailers not engaged in television transmission, including antennas, television sets, home theater equipment, or digital-to-analog boxes, even though some or all of these items may be needed if the consumer is to receive and view a television broadcast.